

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Internal Audit Final Report: Investment Operations – Cash Receipts & Disbursements ITEM NUMBER: 6
ATTACHMENTS: N/A

ACTION: _____ DATE OF MEETING: June 4, 1998

INFORMATION: X PRESENTER: Mr. Lee

From the limited scope of our review and testing of the Investment Operations area, in our opinion, the internal controls present for the cash receipts and disbursements process are adequate. Three observations resulted from this review, while not materially affecting the efficiency of the internal control system, require the Investment Branch's attention and action. Management concurred and has implemented corrective action for all three observations.

- Checks received by Investment Operations are not endorsed prior to being sent to State Street Bank for further credit to STRS' account. Section 8023 of the State Administrative Manual (SAM) states that "all checks, money orders, and warrants received for deposit will be restrictively endorsed for deposit as soon as practicable after receipt, but no later than the end of the working day." As result of this observation, State Street Bank prepared an endorsement stamp for Investment Operations' use to restrictively endorse checks upon receipt.
- Claim schedule file copies do not bear evidence of authorization or approval. Internal Audit noted that Investment Operations personnel only sign the page(s) of the claim schedule that are forwarded to the State Controller's Office. Internal Audit recommended that claim schedule file copies be initialed to provide an audit trail of who approved the claim(s). Management modified the process to incorporate the recommendation.
- Requests to deny access to certain computer applications are not always executed timely. An employee left STRS Investment Operations Branch on August 8, 1997 and notification of this former employee was made to the system administrator on September 22, 1997. Internal Audit recommended that formalized procedures be established to ensure computer application access is denied to all former employees of the Investment Branch. These procedures should be reviewed and coordinated with the Information Security Officer. Starting in April 1998, a formal procedure consisting of a new Computer Access Clearance Form will be implemented.